

# MINUTES OF MEETING OPEN SESSION

November 14 and 15, 2011

The Investment Committee met on Monday, November 14, 2011 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 11:00 a.m. and the following members were present:

George Diehr, Chair
Michael Bilbrey
John Chiang
Richard Costigan
Dan Dunmoyer
Rob Feckner
JJ Jelincic
Bill Lockyer
Louis F. Moret
Tony Oliveira
Ronald Yank, represented by Greg Beatty

Terry McGuire represented John Chiang Pam Milliron represented Bill Lockyer

Investment Committee members excused:

Henry Jones, Vice Chair Priya Mathur

#### AGENDA ITEM 2 – APPROVAL OF OCTOBER 2011 MEETING MINUTES

On **MOTION** by Mr. Jelincic, **SECONDED** and **CARRIED** that the October 17, 2011 Open Session minutes be approved as presented.

### **AGENDA ITEM 3 – POLICY SUBCOMMITTEE REPORT**

Policy Subcommittee Interim Chair presented the October 17, 2011 Subcommittee meeting summary.

The Policy Subcommittee recommended and the Interim Chair **MOVED** that the Investment Committee approve the following revised policies:

- Internally Managed Global Enhanced Equity Strategies Policy
- Global Principles of Accountable Corporate Governance
- Absolute Return Strategies Program Policy
- Leverage Policy
- Alternative Investment Management (AIM) Program Policy

The Chair directed that revisions of the Global Principles of Accountable Corporate Governance be considered separately and, further, that new Principle 6.5, Charitable and Political Contributions, be discussed separately. Peter Mixon, General Counsel, and Anne Simpson, Senior Portfolio Manager, were available to respond to questions from the Committee.

The Investment Committee **APPROVED** the following revised policies:

- Internally Managed Global Enhanced Equity Strategies Policy
- Absolute Return Strategies Program Policy
- Leverage Policy
- Alternative Investment Management (AIM) Program Policy

The Investment Committee **APPROVED** revisions of the Global Principles of Accountable Corporate Governance, excluding Principle 6.5 on page 18 of the document.

Some Committee members believed it would be beneficial to have additional time to review a letter from CalPERS counsel Reed Smith LLP to clarify the intent of Principle 6.5. The letter was distributed at the meeting.

On **MOTION** by Mr. Dunmoyer and **SECONDED** to postpone definitely to the next publicly scheduled Committee meeting action regarding Principle 6.5.

<u>YES</u>	<u>NO</u>	<u>ABSTAINED</u>
Beatty	Bilbrey	
Costigan	Chiang	
Dunmoyer	Diehr	
Feckner	Jelincic	
Moret	Lockyer	
	Oliveira	

#### The motion **FAILED**.

There was discussion regarding the pros and cons of disclosure of corporate charitable and political activity. Some issues raised were:

- The impact of disclosure on publicly vs. privately traded companies
- The importance and benefits of transparency
- The belief that the policy will promote accountability as shareowners

The Subcommittee **MOTION** to approve the revised Global Principles of Accountable Corporate Governance in its entirety **CARRIED**.

#### AGENDA ITEM 4 – GLOBAL FIXED INCOME ANNUAL PROGRAM REVIEW

Curtis Ishii, Senior Investment Officer; Kevin Winter, Senior Portfolio Manager; and Arnie Phillips, Senior Portfolio Manager, presented the item. Andrew Junkin, Wilshire Consulting, was available to respond to questions from the Committee.

Staff provided an annual review of the Global Fixed Income Program including recent accomplishments, performance, basic strategies, sector risks, and priorities for the next year.

On **MOTION** by Mr. Moret, **SECONDED** and **CARRIED** to approve one-year contract renewals for 16 investment external manager contracts as follows:

International Fixed Income Managers

- Alliance Bernstein L.P.
- Barings Asset Management
- PIMCO
- Rogge Global Partners

#### **Currency Managers**

- Pareto Investment Management Ltd.
- State Street Global Advisors

U.S. High Yield Managers Nomura

- Nomura
- PIMCO
- Columbia High Yield
- Columbia Loans
- Artio Global
- JP Morgan
- Logan Circle
- Putnam
- TCW
- ING Loans

# AGENDA ITEM 5 – CONTRACTS, Real Estate Board Investment Consultant Finalist Selection

Kami Niebank, Division Chief, provided an overview of the Request for Proposal review and scoring process and presented profile summaries of the three recommended finalists.

On **MOTION** by Mr. McGuire, **SECONDED** and **CARRIED** to approve the Real Estate Board Investment Consultant Finalists:

- Callan Associates, Inc.
- Courtland Partners, Ltd.
- Pension Consulting Alliance, Inc.

The three finalists will appear for oral interviews at the December 2011 Investment Committee meeting.

At this point, agenda items were taken out of order.

#### **AGENDA ITEM 7 – PROGRAM UPDATES**

## a. Corporate Governance Program

# 1) Wilshire Analysis of Focus List Program

Andrew Junkin, Wilshire Associates, presented their update to the study of performance for all companies CalPERS has engaged through its Focus List Program over the last 11 years. The Wilshire study methodology and findings were highlighted. Wilshire concluded that CalPERS has a long history of active involvement and discussion of the best practices in this area, and the data supports the contention that their involvement has improved investment results.

#### **AGENDA ITEM 14 – PUBLIC COMMENT**

There were no comm	ents from the public.

The meeting recessed on November 14, 2011 at 12:30 p.m. and reconvened on November 15, 2011 at 1:40 p.m.

Investment Committee members present:

George Diehr, Chair
John Chiang, represented by Terry McGuire
Rob Feckner
JJ Jelincic
Bill Lockyer, represented by Pam Milliron
Louis F. Moret
Tony Oliveira
Ronald Yank, represented by Greg Beatty

Investment Committee members excused:

Henry Jones, Vice Chair Michael Bilbrey Richard Costigan Dan Dunmoyer Priya Mathur

# AGENDA ITEM 6 – TOTAL FUND, CalPERS CIO Total Fund Quarterly Performance Report

Joseph Dear, Chief Investment Officer, introduced the new CIO Total Fund Quarterly Performance Report and presented the quarter highlights, total fund allocation trend, total fund performance, asset class performance, Affiliate Investment Program performance, and next steps.

Going forward, this report and the Consultant Total Fund Quarterly Performance Report will be coordinated to minimize duplication.

# AGENDA ITEM 7 – PROGRAM UPDATES (continued)

### a. Corporate Governance Program

Anne Simpson, Senior Portfolio Manager, introduced the item and noted that in the future rather than presenting a stream of different reports throughout the year, an annual program review and quarterly updates will be provided. This is the first of the newly structured quarterly updates.

# 2) Proxy Voting Quarterly Report Results

Staff provided a summary report that highlighted CalPERS proxy voting decisions for the quarter of July 1, 2011 to September 30, 2011.

## 3) UN Principles for Responsible Investment Annual Update

Staff presented an update on CalPERS implementation of the United Nationssponsored Principles for Responsible Investment (PRI), including:

- CalPERS 2011 Individual Progress (Performance overall has improved)
- PRI Report on Progress 2011
- Priya Mathur election to PRI Advisory Council
- PRI Expert Working Group Guidance on Responsible Business in Conflict-Affected and High-Risk Areas
- 2011 PRI Annual Event

## 4) Financial Market Reform

Staff provided updates regarding:

- Proxy Access
- U.S. Senate Banking Committee Testimony
- Derivatives Regulation
- International Financial Reporting Standards
- Public Company Accounting Oversight Board
- Governance Forums

There were no items to report for the following programs:

- b. Growth Public Equity
- c. Growth Private Equity
- d. Income (Global Fixed Income and Liquidity)
- e. Real Assets (Real Estate, Infrastructure, Forestland)
- f. Inflation Assets (Commodities, ILB)
- g. Absolute Return Strategies Program
- h. Affiliate Investment Programs

### **AGENDA ITEM 8 – ACTIVITY REPORTS**

The Committee accepted the following activity reports:

- a. Total Fund Monthly Update
- b. Investment Office Assignment Matrix
- c. Special Review Implementation Plan Investment Office

#### AGENDA ITEM 9 – AGENDA AND CALENDAR

The Committee accepted the following:

- a. Draft agenda for December 12, 2011
- b. Rolling Annual Agenda Item Calendar

The meeting was adjourned at 2:40 p.m.

The next Investment Committee meeting is scheduled for December 12, 2011 in Sacramento, California.

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ANNE STAUSBOLL Chief Executive Officer